

## Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00 PM-05  
H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02  
SS-15 ICA-11 COME-00 EB-08 LAB-04 SIL-01 SSM-03  
OMB-01 TRSE-00 /106 W  
-----046796 171641Z /53

R 171324Z APR 78  
FM AMEMBASSY TEL AVIV  
TO SECSTATE WASHDC 2612  
INFO AMEMBASSY AMMAN  
AMEMBASSY CAIRO  
AMEMBASSY DAMASCUS  
AMEMBASSY JIDDA  
AMEMBASSY LONDON  
AMCONSUL JERUSALEM  
USMISSION USUN NY  
USMISSION SINAI

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E. O. 11652: NA  
TAGS: ELAB IS  
SUBJ: HISTADRUT AND FINANCE MINISTRY IN PUBLIC APPEALS BATTLE  
TO CHECK LABOR UNREST

REF.: TEL AVIV 4977

1. SUMMARY: THE UNILATERAL ANNOUNCEMENT OF THE GOVERNMENT  
THAT IT WOULD GRANT THE FIFTEEN PERCENT WAGE INCREASE  
DEMANDED BY THE HISTADRUT BUT WITHOUT REFERENCE TO PRICES  
AND TAXES UPSET LABOR LEADERS AND AROUSED FEARS OF A  
CHANGE IN GOI NEGOTIATING TACTICS. HISTADRUT RESPONDED  
WITH THREATS OF NON-COOPERATION. THIS, IN TURN, EVOKED  
A CONCILIATORY RESPONSE FROM THE GOVERNMENT THAT IT RE-  
MAINED READY TO NEGOTIATE NOT ONLY WAGES BUT A BROADER  
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WAGE-PRICE-TAX PACKAGE. ALTHOUGH THE PROSPECTS REMAIN  
THAT THE LABOR SITUATION WILL CONTINUE TO BE DIFFI-  
CULT FOR THE NEXT FEW MONTHS, AND THAT THE GOVERNMENT  
IN ORDER TO OBTAIN CONCESSIONS IN ESSENTIAL AREAS MAY  
HAVE TO MAKE FURTHER WAGE CONCESSIONS, CONFIDENCE APPEARS  
TO BE IMPROVING THAT THE GOVERNMENT AND THE HISTADRUT  
WILL BE ABLE TO RIDE OUT THE STORM WHILE MINIMIZING

DAMAGE TO THE ECONOMY AND TO EACH OTHERS' PRESTIGE. IN THE MEANTIME THE MILITANCY OF VARIOUS LABOR GROUPS SEEMS TO BE SUBSIDING, AT LEAST PRIOR TO THE PASSOVER HOLIDAYS.  
END SUMMARY

2. GOVERNMENT STRATEGY IN THE CURRENT ROUND OF WAGE NEGOTIATIONS SEEMS TO BE ONE OF OFFERING FAIRLY GENEROUS WAGE SETTLEMENTS, BUT ONLY IN RETURN FOR CONCESSIONS ON OBTAINING FIRMER CONTROL OVER DISCIPLINE AND EFFICIENCY IN THE PUBLIC SERVICE. IN ADDITION THE GOI SEEKS TO BREAK THE ESTABLISHED LINKAGES OF WAGES AND BENEFITS GRANTED TO DIFFERENT PROFESSIONAL GROUPS IN THE PUBLIC SERVICE, AND TO REDUCE THE FREQUENCY OF STRIKES AND SLOWDOWNS IN ESSENTIAL SERVICES.

3. THIS SEEMED TO HAVE BEEN THE CHIEF REASONING BEHIND THE UNILATERAL ANNOUNCEMENT ON APRIL 10 THAT THE GOI WOULD RAISE PUBLIC SERVICE SALARIES BY 12.5 PERCENT AS OF APRIL 1 AND ANOTHER 2.5 PERCENT AS OF OCTOBER 1, SUBJECT TO ACCEPTANCE OF A NON-STRIKE PLEDGE, ARBITRATION OF ALL DISPUTES, AND ACQUIESCENCE TO GREATER MANAGEMENT CONTROL OVER PERSONNEL (REFTEL). AN ADDITIONAL CONSIDERATION IN THE ANNOUNCEMENT MAY HAVE BEEN THE IMPENDING PUBLICATION OF THE MARCH COST OF LIVING FIGURES WHICH SHOWED A SUDDEN UPSURGE OF INFLATION TO 3.7 PERCENT (7.7 PERCENT FOR THE FIRST QUARTER OF 1978) AND THE PROSPECT THAT APRIL MAY SEE A SIMILAR LIMITED OFFICIAL USE

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INCREASE. THUS A MORE GENEROUS POSTURE ON THE PART OF THE GOVERNMENT SEEMED CALLED FOR.

4. HISTADRUT REACTED WITH CRIES OF ALARM TO THE UNILATERAL GOI ANNOUNCEMENT. HISTADRUT SECRETARY GENERAL MESHEL CHARGED THAT THIS MEANT REFUSAL TO NEGOTIATE HISTADRUT'S DEMANDS FOR LINKING THE WAGE INCREASE TO A BROADER PRICE-WAGE-TAX POLICY AND CONSTITUTED A CHANGE IN NEGOTIATING TACTICS WHICH SOUGHT TO BYPASS THE HISTADRUT CONTRARY TO PRIOR HISTADRUT-GOVERNMENT UNDERSTANDING. AS A WARNING SHOT HE ANNOUNCED THAT UNLESS THE GOVERNMENT WAS READY TO NEGOTIATE AN OVERALL AGREEMENT WITH THE HISTADRUT, HE WOULD NOT COOPERATE IN MODERATING WAGE DEMANDS.

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5. MESHEL TOLD THE LABATT HE WAS CONFIDENT THAT, NOTWITHSTANDING THE UNILATERAL DECLARATION ON WAGE INCREASES IN THE PUBLIC SECTOR (SEE REFTTEL), THE GOVERNMENT WAS PREPARED TO NEGOTIATE WITH THE HISTADRUT IN LINE WITH ASSURANCES WHICH FINANCE MINISTER EHRlich HAD MADE TO HIM. HISTADRUT WAS NOT OPPOSED TO A MORE EFFICIENT MACHINERY FOR SETTLING DISPUTES IN THE PUBLIC SERVICE WITHOUT STRIKES, BUT WANTED TO MAKE SUCH ARRANGEMENTS PART OF A PACKAGE DEAL TO BE NEGOTIATED. DESPITE CONTINUING GOVERNMENT INSISTENCE ON PRE-CONDITIONS FOR ITS WAGE OFFER, NEGOTIATIONS WERE UNDER WAY AND HE FELT CONFIDENT THAT EHRlich AND THE CIVIL SERVICE COMMISSIONER DID NOT WISH A CONFRONTATION WITH THE HISTADRUT. HOWEVER, HE TOO HAD TO PROTECT HIS CREDIBILITY IN ORDER TO COPE WITH THE MORE MILITANT ELEMENTS IN THE HISTADRUT. THEREFORE, HE  
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HAD WANTED TO WARN EHRlich THAT THE SUDDEN ANNOUNCEMENT OF AN INCREASE IN POSTAL AND TELEPHONE RATES, ON TOP OF SUBSTANTIAL INCREASES IN MUNICIPAL AND PROPERTY RATES, COMING DUE MAY 1 AS WELL AS INCREASES IN HEALTH INSURANCE FEES AND THE RISE OF A NUMBER OF BASIC COMMODITY PRICES--ALL PRIOR TO NEGOTIATIONS ON A PRICE-WAGE-PACKAGE-- WOULD COMPLICATE NEGOTIATIONS.

6. INDEED OVER THE WEEKEND EHRLICH CONSIDERABLY MODIFIED HIS POSITION AND ANNOUNCED THAT HE WAS EADY TO SUSPEND ALL PUBLIC SERVICE AND COMMODITY PRICE INCREASES DURING WAGE NEGOTIATIONS AND THAT HE CONTINUED TO BE WILLING TO NEGOTIATE A PRICE-WAGE PACKAGE. MESHEL, REPLIED IN A SIMILARLY CONCILIATORY MANNER.

7. COMMENT: WITH THE GOVERNMENT AND THE HISTADRUT SHOWING CONSIDERABLE CONCERN OVER THE DANGER THAT THE LABOR SITUATION COULD BECOME INCREASINGLY CHAOTIC, BOTH SIDES RELY ON THE FACT THAT THEY NEED EACH OTHER TO PRESS FOR OTHER FOR CONCESSIONS. THIS RESULTS IN A SEE-SAW OF APPAENTLY CONTRADICTORY SIGNALS ON BOTH SIDES. EACH SIDE WANTS TO GIVE THE APPEARANCE OF REMAINING TOUCH TO PROTECT ITS CREDIBILITY, EVEN IF THIS MEANS DELAYING SOME SETTLEMENTS. AT THE SAME TIME CONFIDENCE APPEARS TO BE INCREASING THAT THE GOVERNMENT AND THE HISTADRUT WILL BE ABLE TO RIDE OUT THE STORM DURING THE COMING MONTHS AND TO MINIMIZE THE DAMAGE TO EACH OTHERS PRESTIGE AND TO THE ECONOMY. THIS IS REFLECTED IN THE FACT THAT A NUMBER OF STRIKING GROUPS SUCH AS THE SEAMEN, JOURNALISTS, CIVIL SERVANTS, AND WATER COMPANY EMPLOYEES HAVE RETURNED TO WORK, ENDED STRIKES, OR INDICATED THEIR READINESS TO RESUME WORK. LEWIS  
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## Message Attributes

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